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RHMFISS/DISA WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEATRS/TREASURY DEPT WASHDC PRIORITY
RHEHAAA/NSC WASHDC PRIORITY
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 07 TOKYO 005568

SIPDIS

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NSC FOR D. WILDER, V. CHA
OVP FOR M. KOEHLER
DOD FOR R. LAWLESS

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TAGS: [PGOV](#) [MARR](#) [ECON](#) [EINV](#) [ETRD](#) [EFIN](#) [EAGR](#) [PREL](#) [TSPL](#)
SENV, JA
SUBJECT: U.S. POLICY PRIORITIES FOR ABE ADMINISTRATION

Classified By: AMBASSADOR J. THOMAS SCHIEFFER. REASONS 1.4 (B)(D).

¶1. (C) Summary and Table of Contents. New Prime Minister Shinzo Abe has outlined an ambitious policy agenda for his administration, with important implications for a number of U.S. foreign policy goals. This cable highlights the most significant initiatives from a U.S. perspective and assesses their prospects for success.

Political Issues

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- Conspiracy Law (para 6)
- Constitutional Revision (para 7)
- U.S.-style NSC (para 8)

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- Anti-Terrorism Special Measures (para 11)
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- Bio-Security, Bio-Safety (para 34)

End Summary and Table of Contents.

¶2. (SBU) In his campaign platform and speeches, new Prime Minister Shinzo Abe vowed to give "high priority" to several pieces of legislation held over from the last regular Diet session, including bills to revise the Basic Education Law (para 5), upgrade the Japan Defense Agency to a Ministry (para 10), amend the Anti-Organized Crime Law to recognize the crime of conspiracy (para 6), and define the procedures for a national referendum on constitutional revision (para 7). Abe will want to gain early passage of as many of these measures as possible to demonstrate his strong leadership and avoid contentious debate just prior to unified local and Upper House Diet elections in Spring 2007.

¶3. (SBU) The main opposition Democratic Party of Japan (DPJ) has promised to oppose the education and conspiracy measures, but may be willing to reach an agreement on the Defense Agency and referendum bills. The extraordinary Diet session is expected to run slightly longer than usual this year -- from September 26 to December 15 -- reflecting the large number of bills under consideration. The proposals to criminalize conspiracy and formalize the national referendum process may be held over to the regular Diet session in the spring.

¶4. (C) This cable is intended to assess the likelihood that key U.S. policy goals will be realized under an Abe administration, based largely on the agenda set forth in his campaign platform and other public statements. We have rated prospects for success on the following scale: Excellent (higher than 75 percent); Good (50-75 percent); and Poor (lower than 50 percent). The list is not meant to be exhaustive.

Political Issues

¶5. (C) Revise the Basic Education Law:

Proposed amendments to the 1947 Basic Education Law emphasize traditional values, volunteerism, and patriotism as educational ideals, in an attempt to revitalize Japan's troubled education system. Changes to compulsory education and the school year calendar would put students on track for study at U.S. institutions. The opposition Democratic Party of Japan is seeking extended debate on this legislation, which was held over from the last Diet session over disagreements within the ruling LDP.

-- Likelihood: Good

¶6. (C) Criminalize conspiracy:

Amending the Anti-Organized Crime Law would criminalize conspiracy, a requirement for Japan to ratify the 2000 UN Convention Against Transnational Organized Crime, and provide Japan with an additional mechanism for dealing with terrorism-related crimes.

-- Likelihood: Good

¶7. (C) Revise the Constitution:

Passing a bill to stipulate procedures for a national referendum would provide the means for future amendment to Japan's Constitution. Legislation to revise the constitution must be approved by a two-thirds majority of both houses of the Diet, then ratified by a national referendum. Japan, which has never revised its post-war constitution, currently has no procedures for carrying out the required referendum. Efforts to revise the Constitution will likely encounter significant pushback from coalition partner Komeito, in addition to the opposition parties.

-- Likelihood of constitutional revision: Poor

-- Likelihood of referendum bill passing: Excellent

18. (C) Create a U.S.-style National Security Council:

Creating a cabinet-level agency to coordinate national security policy from within the Office of the Prime Minister would strengthen and speed decision-making and intelligence coordination. It would also allow for more effective cooperation with U.S. agencies.

-- Likelihood: Excellent

Political-Military Issues

19. (C) Lift the ban on the exercise of collective self-defense:

It may not be necessary to revise the constitution in order for Japan to relax the current ban on exercising the right of collective self-defense. All that may be required is a reinterpretation of the meaning of Article 9. It may also be possible for Prime Minister Abe to administratively change Japanese Self-Defense Force rules of engagement to allow the use of force to defend U.S. forces deployed in and around Japan.

-- Likelihood: Excellent

10. (C) Upgrade the Japan Defense Agency to a Ministry:

Upgrading the Japan Defense Agency, currently an external organ of the Cabinet Office, will give the Defense Ministry authority to establish ordinances and submit proposals at Cabinet meetings.

-- Likelihood: Excellent

11. (C) Extend the Anti-Terrorism Special Measures Law:

Revising the Anti-Terrorism Special Measures Law would allow the Maritime Self-Defense Forces to continue providing refueling support to U.S.-led coalition forces in the Indian Ocean beyond the current November 1 expiration date. Opposition parties, and even some in the LDP, question the appropriateness of continuing this mission during a time of decreasing demand and high oil prices.

-- Likelihood: Excellent

12. (C) Pass a permanent dispatch law for the Self-Defense Forces:

Abe has called for a permanent law to dispatch Self-Defense Forces as needed, including for operations conducted outside of UN auspices, to avoid the need to pass special measures each time. The law would allow Japan to respond to emergency calls for peacekeeping assistance in a more timely manner, although it would almost certainly incur criticism from neighbors China and Korea.

-- Likelihood: Good

13. (C) USFJ Realignment/DPRI:

Provide direct budgetary outlays for construction of new U.S. facilities in Japan and on Guam and authorize the Japan Bank for International Cooperation (JBIC) to extend loans for projects on Guam. Providing financial assistance to local governments in base-hosting communities would lessen

opposition to base realignment.

-- Likelihood: Excellent

¶14. (C) Renew host nation support (HNS) at current or higher levels:

The current Special Measures Agreement expires in 2008. Japan may agree to extend the current agreement for another three years. In his comments to date, Abe has hinted at the need to reduce Japan's HNS outlays.

-- Likelihood: Good

¶15. (C) Increase defense spending:

JDA has requested a 1.5 percent increase in its FY2007 budget to pay for accelerated Ballistic Missile Defense (BMD) projects. The Finance Ministry will decide on the request by the end of December.

-- Likelihood: Excellent

¶16. (C) Relax arms export controls:

There is growing interest within the LDP and industry to relax Japan's self-imposed arms export limits, both to enhance R&D cooperation with the United States and, eventually, export Japanese weapon systems to friendly countries.

-- Likelihood: Excellent

¶17. (C) Develop spy satellite technology:

A bill to enable Japan to develop reconnaissance satellites solely for military use would allow the Self-Defense Forces to break out of the current legal constraints imposed by Japan's ratification of a 1967 UN treaty limiting use of space to peaceful purposes, which limit development to technologies more suited to civilian use.

-- Likelihood: Excellent

Trade and Investment Issues

¶18. (C) Assistance in achieving a successful Doha Round:

Japan professes to want a successful conclusion to the now-stalled Doha multilateral trade round, but has done little to date to push the process forward -- preferring instead to let the Europeans take the lead in blocking progress over efforts to open up agricultural trade. Japanese officials have expressed their frustration that the United States has been too ambitious in its market opening goals.

-- Likelihood: Poor (unless the United States and EU forge their own agreement first)

¶19. (C) Agreement on strengthening the bilateral economic relationship toward the objective of an FTA:

The Abe administration may go along with a new initiative to strengthen the bilateral economic relationship including a building blocks approach toward eventual FTA negotiations, but high-level USG engagement will be essential. Current GOJ policymakers indicate contentment with the status quo, distraction from Asian partners and fear of the necessary fight with domestic agricultural interests.

-- Likelihood: Good/Poor (with adequate high-level engagement)

¶20. (C) Create a "level playing field" for privatized Japan Post:

As postal banking and insurance units begin their transition to privatized status in October 2007, as much as \$3.2 trillion in currently underutilized assets may become available to domestic and international capital markets. In considering new products that will compete with the products of U.S. companies, the Cabinet will be weighing its needs to

maintain employment and to ensure the entities can successfully raise capital against the effect of the new products on financial markets, including through unfair competition. We believe that the PM will follow the lead of the expert privatization committee on this issue, but ideally we would like to see the Cabinet proactively endorse the principle that the new entities should not introduce new products before satisfying all the regulatory requirements private firms face.

-- Likelihood of PM committing to "equal footing": Good (if we press for it)

-- Likelihood of specific commitment to no new products without level playing field: Poor

¶21. (C) Agreement with U.S. on text for Anti-counterfeiting Trade Agreement before the end of 2006:

A successful agreement would set a new international "Gold Standard" for IPR protection and enforcement, raising the bar above current treaties. The new Abe Cabinet will likely support the idea in concept but may not be willing to change Japan's own laws to comply.

-- Likelihood: Good

¶22. (C) Joint action in WTO case against China on IPR:

If Japan were to join the U.S. case against China at the WTO, it would increase pressure on China to improve its IPR enforcement, a key USG trade objective. Pro-China Trade Minister Nikai opposed Japan joining the WTO case, and unless the new Trade Minister is a hard-liner on China, the new minister is likely to take the same position because a) Japanese industry opposes the WTO case and b) GOJ wants to give its dialogue with China on IPR more time to produce results.

-- Likelihood: Poor

¶23. (C) Support for APEC as the sole vehicle for regional economic integration:

APEC is the forum in which the United States can exercise the greatest influence on regional economic integration. Abe's deep-seated concern over growing Chinese influence in the region -- shared by much of the Japanese bureaucracy and business -- and APEC's incapacity to impose binding resolutions on its member economies will probably mean no substantive change in Japan's tendency to pursue the development of other regional fora such as ASEAN Plus 6 or the East Asian Summit.

-- Likelihood: Poor

¶24. (C) Clear support for an open FDI regime:

In order to help U.S. business and to support Japan's economic recovery, we want both a clear statement from the new Cabinet that the announced goal of doubling Japan's stock of FDI by 2010 remains in place and, more specifically, the imposition of few limits on the kinds of stock eligible for swaps and tax deferral on capital gains in M&A activities. Although latent fear of foreign investment in the general population could cause Abe to countenance a further delay or unworkable regulations for M&A stock swaps, all indications to date are that he is generally pro-investment.

-- Likelihood: Excellent (for the general policy statement); Excellent (on stock swaps)

Macroeconomic and Financial Issues

¶25. (C) Maintenance of a course toward medium-term fiscal consolidation:

The GOJ has set forth guidelines to reach primary fiscal balance by 2011, which is important for maintaining Japanese growth and addressing global imbalances. Although Abe and others have raised the idea of further social spending (e.g., the so-called "second chance" program), the remarks have been

couched in the framework of achieving the announced goal of fiscal balance.

-- Likelihood: Excellent

¶26. (C) Enhanced transparency in financial regulation:

This is a primary issue for U.S. financial firms operating in Japan and for the development of Japanese financial markets in order to enhance the efficiency of operations and promote innovation. Abe can influence progress toward this goal in his selection of ministers and other senior officials, but actual achievement of this goal will require more fundamental, long-term cultural changes in Japan's regulatory agencies.

-- Likelihood: Poor/Good

¶27. (C) Introduction of a "full-file" credit bureau system:

The USG and U.S. financial industry see credit bureau reform as an important step in financial market development that would enhance risk management. No GOJ agencies have indicated a willingness to act on this yet, and there is little pressure from the political realm to push forward legislation on this issue.

-- Likelihood: Poor

Agricultural Issues

¶28. (C) Adoption of BSE guidelines that would eliminate the age restriction on U.S. beef imports:

Japan at a minimum should accept a cut-off age for U.S. beef imports of 30 months in line with OIE standards. This "litmus test" would be a major step in bringing Japan on board as a responsible international player in dealing with quarantine issues. Japan should also establish with us the Working Group (WG) as stipulated in the October 2005 US-Japan joint understanding by the end of 2006 with a commitment to reaching a conclusion by summer 2007.

-- Likelihood: Good

¶29. (C) Agreement to a bilateral protocol to deal with commingling of an unapproved biotech agent and allocates more resources to the biotech product approval process:

This would require working with the Ministry of Health, as well as members of the Food Safety Commission and Ministry of Agriculture, and would affect U.S. grain industries, particularly corn, soybeans and rice whose exports roughly \$3.2 billion annually. Biotech developers would also benefit greatly.

-- Likelihood: Good

¶30. (C) Achievement of market access for imported rice:

Even though Japan is typically our largest export for rice, the vast majority of that rice sits in government warehouses due to a 1993 Cabinet decision that says: "Imported rice is not to disrupt the supply and demand of domestically grown rice."

-- Likelihood: Poor

¶31. (C) Adoption of international standards and sound science as at the basis for food safety policy:

Japan's system of official control and pest risk assessments needs to be rationalized in line with international norms. We should encourage Japan to accept the concept of "regionalization" (when there is a problem, look at the limiting import restriction to the area(s) where the problem exists rather than closing off the entire country) in the event of a sanitary or phytosanitary problem.

-- Likelihood: Good

Environment, Science, and Technology Issues

¶32. (C) Support for India Nuclear Deal generally, and specifically in the Nuclear Suppliers' Group:

This is an important part of the U.S. policy to promote the safe development of civil nuclear power, to improve nuclear security and to make India a responsible nuclear player.
-- Likelihood: Excellent

¶33. (C) Agreement to support renewal of an aboriginal whaling quota for Alaskan Inuits prior to the June 2007 International Whaling Commission Meeting:

This issue has important domestic political implications, as it is a fundamental part of Alaskan politics. Japan will try to extract concessions from us in return for support for our quota, possibly resulting in unwanted escalation of this issue in Washington.
-- Likelihood: Poor

¶34. (C) Increased cooperation with the U.S. on counter-terrorism issues, such as bio-security, bio-safety, critical infrastructure and secure trade:

Since 9/11, the U.S. has made a real effort to increase collaboration and cooperation on these issues. Japan has been reluctant to participate, believing that terrorism is not a serious problem in Japan.
-- Likelihood: Good

¶35. (C) Deepen US-Japan cooperation on climate change issues as Japan moves to "post-Kyoto":

Japan may be shifting its climate policy away from Kyoto. Should this trend develop, we should emphasize cooperation in the Asia Pacific Partnership, and other climate change fora that offer pro-growth, technology-based solutions to climate change.
-- Likelihood: Poor
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